



## Executive Summary

**T**HIS ANNUAL PUBLICATION contains long-term population, labor force, employment, and personal income projections for Washington State. The Office of Financial Management (OFM), Forecasting Division, and the Employment Security Department, Labor Market and Economic Analysis Branch jointly prepared the labor force and employment projections. The forecast horizon extends from 2001 to 2026. The medium-term forecast for the 2001-2003 period is consistent with the February 2002 Economic and Revenue Forecast Council official state economic forecast.

The 2001 recession is a shallow, production-side recession, led by the bursts of business capital investment and equity market bubbles; while consumer spending and housing market remain healthy. The coming recovery is expected to be a slow and weak one, because many factors that traditionally lead the recovery, such as housing, sales of consumer durable goods, and lower interest rates were not significantly affected by this recession and thus cannot provide much stimulus needed for a vigorous rebound of the economy. On the production side, the current low capacity utilization rates and a weak prospect for corporate profits suggest that business capital investment will grow at a very gradual pace.

### Washington Population, Labor Force, Employment, and Income

	Population (1,000)	Labor Force (1,000)	Employment (1,000)	Per Capita Income (1996\$)
1970	3,413	1,417	1,080	14,999
1980	4,132	1,985	1,609	19,695
1990	4,867	2,537	2,142	23,270
2000	5,894	3,046	2,709	28,931
2010	6,648	3,458	3,086	34,517
2020	7,545	3,790	3,472	41,944
2026	8,059	3,981	3,674	46,361

### Population

- **Washington's population will increase 28 percent by the year 2026.** In 2001, about 6.0 million people lived in the state. The state population is expected to increase 2.1 million over the next two decades, reaching 8.1 million by 2026.
- **Aging of the population will be the most important demographic phenomenon in the next few decades.** In 2001, 11.2 percent of the Washington population was age 65 and over. By 2026, this age group is projected to account for 18.5 percent of total state residents. Most of the increase in the elderly population will take place after 2010, when the Baby Boom generation starts entering this age group.

## Labor Force

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- **Washington's total labor force will increase 30 percent between 2001 and 2026.** This amounts to a gain of 924,000 workers, from 3.06 million in 2001 to 3.98 million by 2026.
- **The labor force participation rate will be lower in 2026 than it is today.** In 2001, the labor force participation rate in Washington was 67.5 percent; the rate is projected to decline to 64.0 percent by 2026. Most of the decline will occur during the 2010-26 period when a large portion of the Baby Boom population shifts into the retirement age.
- **Washington's labor force will become more diversified in terms of age, sex, racial, and ethnic compositions.** By 2026, 47 percent of the state labor force will be female; workers over age 55 will represent about 19 percent of all state workers, substantially higher than the 12 percent share in 2001. Share of non-white workers in the state labor force is expected to rise from 12.5 percent in 2001 to 15.4 percent in 2026.

## Employment

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- **Between 2001 and 2026, 972,000 non-farm jobs will be added to the Washington economy.** Employment in the state is expected to increase at an average annual rate of 1.2 percent over the next 25 years, from 2.70 million in 2001 to 3.67 million by 2026.
- **Most of the projected employment growth will be in retail and services industries.** From 2001 to 2026, trade and services are predicted to account for about two-thirds of total job increase in the state. Employment in the goods-producing sectors (i.e., manufacturing, mining, and construction) will increase moderately due mainly to the anticipated productivity growth; by 2026, these sectors will account for only 16.0 percent of total jobs in the state.
- **Washington's economy will become increasingly diversified.** For decades, state employment was highly concentrated in defense, aerospace, and timber industries. Booms and busts in these industries likely would induce the same conditions in the overall state economy. The growing importance of trade and services employment in the future will lead to more diversified and stable economic growth for the state.

## Personal Income

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- **Washington's total personal income will increase 125 percent between 2001 and 2026.** In 1996 dollars, total personal income in Washington amounted to \$173.1 billion in 2001, and is projected to reach \$375.0 billion by 2026.
- **Per capita income in Washington will remain above the national average.** In 2001, per capita income in the state was estimated at \$31,484, only slightly (i.e., 0.4 percent) above the national average. The projected state per capita income in 2026 will be inflation adjusted, 61 percent higher than the 2001 level, and 2.2 percent above the forecasted national average.
- **Growth in average earnings will slow down in the 2000-02 period.** In 1999, average earnings in the state rose to 6.5 percent above the national average. But the state's earning growth will be hit harder by the latest recession than the rest of the nation.